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EMPLOYEES' BENEFIT ASSOCIATION OF THE INTERNATIONAL HARVESTER COMPANY

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Since the organization of the Employees' Benefit Association of the International Harvester Company, September 1, 1908, many inquiries have been received from business men, asking for definite information regarding the plan. They ask for the data which was used as a basis, and for detailed information regarding the vital points to be considered in organizing a benefit association among employees.

Judging from the experience of the committee which made the original investigation and drafted the plan for the International Harvester Company, there seems to be a dearth of literature on employees' benefit associations which embodies the sort of definite information which a practical business man needs, who is considering the advisability of organizing some sort of a benefit plan among his employees.

Having in mind the inquiries mentioned above, it has occurred to me that I may be able to render a service to the business men who read *THE ANNALS*, if I devote this article to a brief digest of the Employees' Benefit Association of the International Harvester Company, and discuss the vital points which were considered by the officers of the company and our committee before a plan was adopted. I shall first give a digest of the plan.

Organization.—The International Harvester Company, International Harvester Company of America, and subsidiary companies have associated themselves with such of their employees as may join the same in the formation of a benefit association.

At the end of each year, if the average membership in the benefit association during that year has equaled 50 per cent of the average total numbers of employees in the companies' manufacturing plants, the company will contribute \$25,000 to the fund, and if such average membership has equaled 75 per cent of such total number of employees, the company will contribute \$50,000 to the fund. The

company agrees to temporarily advance funds, when necessary, for payment of benefits at due date; to guarantee the safety of the fund and to pay semi-annual interest on the average balances at four per cent.

The contributions from members shall be used only for the payment of benefits due to members of the association, and the expenses of administration. If a surplus shall accumulate, it shall remain under the control of the members of the association, through their representatives on the board of trustees, and if a deficit arise, the company will make temporary advance to pay same.

Board of Trustees.—The benefit association is in executive charge of the board of trustees, consisting of members representing the various plants and departments, and a superintendent. The president of the International Harvester Company is ex-officio chairman of this board. The board of trustees at present consists of thirty members, fifteen of which are elected by the employees and fifteen are appointed by the directors of the company. The board of trustees appoints the superintendent and has general supervision over the association. All questions may be appealed to this board and its decision is final.

Superintendent.—The superintendent, under the direction of the board, has charge of all business of the association. He employs the clerks and medical examiners, certifies all bills and pay-rolls, and decides all questions properly referred to him.

Medical Examiner.—A medical examiner is stationed at each of the works. He makes the required physical examination of applicants for membership, prepares applications, visits the sick and decides when they are disabled, and when they are able to work, and performs such other duties as may be required by the superintendent.

Membership.—Membership is voluntary with all employees. Any employee in the service of the company on or before September 20, 1908, had the privilege of becoming a member without medical examination and regardless of age, at any time prior to January 1, 1909; thereafter all applicants for membership are required to pass a physical examination. Any employee who enters the service after September 20, 1908, and is over forty-five years of age is allowed to carry the regular disability benefits, and a death benefit of \$100 only. Any employee who has been a member of the benefit associa-

tion for one year and leaves the service of the company, or is discharged, may continue his membership in respect only of the minimum death benefit which he has held during the past year. Each member signs an application for membership in which he authorizes the company to deduct two per cent of his wages; names his beneficiaries; agrees to be governed by the regulations, and states that he is correct and temperate in habits. Female employees are accepted as members on the same basis as male employees.

Contributions.—Members contribute two per cent of wages due each pay day. Contributions are based on wages which members earn when working full time. No contributions are made by disabled members who are drawing benefits. Members who have left the employ of the company and are carrying death benefits, contribute ten cents per month, in advance, for each \$100 of death benefit. No member of the association is allowed to contribute for a death benefit to exceed \$2,000. This includes a death benefit of twice this amount in case of death from accident.

Benefits.—When a member is disabled he must notify his timekeeper at once. The examining physician decides when benefits are to begin. In determining the amount of benefits to be paid, the average wage for the last sixty days is used as a basis.

Under the regulations the following benefits are provided:

Disability from sickness—One-half wages, except for the first seven days, for a period not longer than fifty-two weeks.

Disability from accident—One-half wages, beginning with the date of the accident, for a period not longer than fifty-two weeks.

Death from sickness—One year's wages.

Death from accident—Two years' wages.

Loss of one foot or one hand—One year's wages.

Loss of both hands or both feet, or one hand and one foot—Two years' wages.

Loss of one eye—One-half year's wages.

Loss of both eyes—Two years' wages.

In case of grave injury or chronic sickness the superintendent has authority to make full and final settlement by the payment of a lump sum, on such terms as may be agreed in writing.

A special benefit of half wages for three months is paid in a lump sum to females who have been members of the benefit association nine months, and become pregnant.

Members who receive benefits, either disability or death benefits, are not required to sign a release in any form, releasing the company from liability.

In the discussion which follows I shall endeavor to give a brief outline of the information which was considered by our committee, bearing on the vital points of the plan outlined above.

So far as I have investigated, I have found that all of the best benefit associations in the United States have been organized as a department of the company; the initial step being taken by the officers of the company. I have found no evidence in any quarter that the employees make objection to this plan. Further, there is much evidence that the workingmen favor the plan, because they have confidence in the business ability of the officers of the company to organize the plan on a sound basis. Most workingmen are familiar with the small insurance societies which have met with disaster, because of incompetent management among their own class.

While the benefit association is a department of the company's business, one of the most vital points considered in establishing it was that it should be organized on a broad democratic basis, that the men should have a real and not a nominal representation, and should take active part in its administration. The board of trustees, as provided in the above plan, insures such a democratic administration.

I have made very careful inquiry in many quarters regarding the practical working of such a representative board, and have found that all the best authorities, with one exception, agreed that a thoroughly representative board is not only safe, but exceedingly valuable in fostering confidence among the employees. They stated that in no case, which has been appealed to the board for decision, have the representatives of the men shown any disposition to take sides against the representatives of the company; on the other hand, the representatives of the men have proven themselves exceptionally broad and fair in their judgment on all questions. One manufacturer stated that "The benefit association, conducted by a representative board, is now doing more than any one thing to help bridge the gap between the company and the men, and to offer a natural and legitimate common ground on which they may meet and consider questions of mutual interest. The members of the board of trustees of the Benefit Association of the International Harvester Company are representative types of men, both those

chosen by the company and those elected by the employees, and the action of the board thus far gives the company every reason to believe that the association will be conducted in a businesslike and satisfactory manner."

The attitude of the officers of the International Harvester Company toward the board of trustees is expressed in the following words, quoted from the address of the general manager, Mr. C. S. Funk, at the first meeting of the board, October 8, 1908: "The Harvester Company, as a corporation and as the employer of this membership, will have nothing to do with the management of the association, and I want to make it very plain in the beginning that the control of this association is up to the board of trustees. It is not up to the company, nor any official in it, to say what shall or shall not be done. It may be felt by a good many of you, particularly men appointed by the company, that you are to represent the interests of the company. This is not the case. The company does not expect to manage the association, but expects those who are appointed by it to act solely in the interests of the association as such. We have great confidence in this board of trustees and believe it will manage the affairs of the association broadly and wisely. It is not expected, nor would it be fair and businesslike for you men, chosen by the employees of the different works, to come here feeling it is up to you all the time to fight for the individual employee. You are trustees of this association, just the same as the directors are trustees of a bank and you are here to administer the affairs of the association and to protect its interest; not to advocate or champion the cause of individuals who may have claims against the association."

A book of regulations, consisting of about 5,000 words, embodies the rules which govern the actions of the trustees and the officers of the association. It is exceedingly important that these regulations be made as complete in every detail as possible before the association is organized. In drafting these regulations the experience of all the best authorities was consulted, especially the books of regulations used by the relief departments of the various railroads of the United States. The railroads, through long years of experience, have worked out their rules and regulations, adding clause after clause as experience demanded, and thus has been built up a body of regulations which is exceedingly valu-

able to all benefit associations which may be organized in the future. A complete book of regulations covers practically all points of dispute which may arise and thus much discussion and dissatisfaction is avoided and a just uniform administration of the department is made possible from the start.

The benefit association is in executive charge of a superintendent who is located at the general office of the company in Chicago. A medical examiner, who is appointed by the superintendent, and who works under his instructions, is in charge at each of the works. At some of the smaller works a local physician is employed who gives part time only. The clerical work, such as making deductions from the pay-roll, reporting cases of disability, etc., is done by the clerical force at the works. All cases are reported to the superintendent, who keeps a complete set of records and pays all benefits.

In the administration of the benefit association the personal equation enters very largely. The superintendent should be a man of democratic temperament, capable of mingling with the men and winning their confidence. He should have strong powers of decision and good organizing ability, and should be big and broad enough to conduct the association in such a way as to insure absolute justice in the treatment of every case. One of the ablest superintendents whom I have met stated his rule of action as follows: "My rule is always to remember that I am administering a fund which belongs to the employees and not to the company, and I always give the advantage of the doubt to the employees."

The question as to whether membership in the benefit association should be made voluntary or compulsory is one on which there is some difference of opinion. With the exception of the relief department of one of the large railroads, practically all of the representative benefit associations of the United States have made membership voluntary with old employees. After careful investigation of this subject our committee was fully satisfied that the voluntary plan is the most satisfactory. In arriving at this decision the following points were considered: The small assessment and the large benefits, as compared with outside fraternal or insurance organizations, will furnish a sufficient inducement to the men to become members.

If a compulsory policy is adopted, the old employees will resent it, regardless of the generous benefits which the association may offer. By adopting the compulsory policy, the employer misses a

valuable opportunity to win the confidence of the old employees and to meet them on a common ground of mutual interest. The wisdom of the voluntary plan has been fully demonstrated by the success of our association thus far. The Benefit Association of the International Harvester Company was organized on September 1, 1908, and on January 1, 1909, after a period of four months, about 20,000 of the employees, which is over seventy-five per cent, have become members, and a most splendid spirit of confidence and co-operation prevails among the members. The very large number of employees who applied for membership during the first week after the association was organized was a most gratifying evidence to the officers of the company of the confidence which the employees had in the association.

The rules of our benefit association provide that any employee in the service of the company on or before September 20, 1908, may become a member without a physical examination and regardless of age at any time prior to January 1, 1909. To one who has not investigated the subject this may seem like a radical and dangerous provision. This plan has been adopted by the oldest and most successful benefit associations in the United States and has worked out satisfactorily. The following points are worth consideration on this question: Only a small percentage of the employees of the average industrial plant are over forty-five years of age. The company naturally desires to include all old employees in any benefit that may be organized, so that they may be taken care of. I have found no evidence in any quarter that the younger employees feel that this is unfair; on the contrary, I believe if a canvass were made that there would be almost an unanimous expression in favor of the provision, based upon a fellow feeling which prevails in any group of workingmen, and which finds expression in subscription lists, donations, etc. In organizing a benefit association the old and trusted employees will be the first to become members, and their intelligent interest and co-operation will do much to establish the association in the confidence of the rank and file of the men.

I need only mention here the importance of a physical examination with new employees who become members of the association. This is absolutely essential to protect the fund and to insure its satisfactory administration. A physical examination also works out a positive advantage to the company because it eliminates un-

desirable men; raises the standard of efficiency, and reduces the risk of serious accidents.

In organizing a benefit association a most important question to consider is the amount of assessment required to provide for the benefits, and to insure a sufficient surplus. Our committee spent much time in gathering data from the various benefit associations and also from the records in some of the works of our own company where a benefit association, covering accidents only, was in operation.

A benefit association, organized in an industrial plant, includes an unique group of men and therefore the statistics of the regular insurance companies are of little value in determining the amount of the assessment and benefits. In many factories, for instance, the average age is below thirty years, and the tendency is toward a lower rather than a higher average age. Because of the character of work required the employees must be physically strong, and only men who can pass a physical examination are employed.

In determining the amount of the assessment necessary the following data were used by the committee: At one of the largest works in our company, where an accident benefit association had been in operation for ten years, complete records were kept of the number of days of disability, the deaths, the loss of limbs, etc. By substituting the benefits provided in the present plan for those provided in the old accident plan we found that an assessment of three-fourths of one per cent on the average yearly wage, which was \$600, would be ample. In view of the fact that at many of our smaller works the number of accidents is much less, we felt that it was safe to use the above figures as a basis. In determining the amount of assessments to provide for accidents, each company should be governed by its own experience or the experience of other companies in which the conditions are similar.

Our committee decided that the statistics bearing on disability and death from sickness, which the railroad relief departments have gathered, are the most complete and reliable of any statistics available. In view of the fact that the operations of the Chicago, Burlington and Quincy Railroad cover a territory which more nearly corresponds to the territory occupied by the International Harvester Company, we decided to use the statistics of sickness furnished by this company. The records of the relief department of the

Chicago, Burlington and Quincy Railroad, covering a period of the last ten years, show that each member of the relief department, on an average, is disabled eleven days each year and there are five deaths from sickness per 1,000 members. In view of the fact that the regulations of our benefit association provide that benefits for sickness are paid after the first seven days, the above figures indicate that benefits must be provided for an average number of four days for each member.

Using the average yearly wage of \$600, and the average daily wage of \$2.00, the following statement in dollars and cents of the assessments required will make the above statement more clear:

| | |
|---|---------|
| To cover disability and death from accident (three-fourths of 1 per cent) | \$4.50 |
| To cover disability from sickness (four days at half wages) | 4.00 |
| To cover death from sickness (five deaths per 1000 members, death benefit one year's wages) | 3.00 |
| | <hr/> |
| Total | \$11.50 |

The assessment of two per cent of the average yearly wage of \$600 provides \$12 which is ample to cover the benefits as provided. The assessment of ten cents per month per \$100 of death benefit, provided for members who have left the employ of the company, is the same assessment as is used by the railroad relief departments and is adequate to pay for all benefits.

In organizing a benefit association the questions as to whether benefits shall cover disability and death from sickness, as well as from accident, and whether the benefits shall be sufficient to provide a good insurance, or whether they shall only provide limited disability benefits and small burial death benefits, are questions which confront every employer who begins to investigate the subject. In my investigation I visited fifteen of the best benefit associations, organized in the United States, and, with the exception of one, I found there was an unanimous and positive conviction in favor of a plan to include disability and death from sickness. The managers stated that seventy-five per cent of the real value to the men comes from sick benefits. Many business men who are not familiar with the practical workings of benefit associations feel that a provision

for sick benefits involves many difficulties, and is open to serious abuses on the part of the employees. I made careful inquiry among the superintendents of benefit associations regarding this feature, and they all stated that where a doctor's certificate is required before benefits can be drawn, and where provision is made that six or seven days shall elapse before members are entitled to benefits, they have little difficulty in weeding out the frauds and preventing imposition on the fund. Our experience thus far confirms this statement.

I visited a number of plants in which benefit associations, covering accident only, were in operation. I talked personally with many of the employees to ascertain their attitude. I found that the men accepted the plan as a part of the shop discipline imposed upon them. There was an utter lack of any spirit of co-operation.

There are many benefit associations organized in various business institutions of the United States; the majority of them are limited affairs. In many cases the assessments are about 25 cents per month, with small disability benefits, such as \$5 per week for a few weeks, and with a death benefit of from \$50 to \$100. While these associations are fairly successful, and are appreciated by the employees, they are entirely inadequate to cover the situation, and the employees must seek outside protection for their families. The experience of the old benefit associations proves that the larger plan is more attractive to the employees, and will work out a more permanent success.

The benefits, as provided in the plan above, correspond closely with the benefits provided in the benefit associations of the railroads and the other large benefit associations which have been organized in the United States.

Twenty years' experience with these old benefit associations has demonstrated that these benefits are adequate and represent about the limit of protection which an employer should undertake to provide for his employees.

The rules and regulations provide that benefits shall be paid for accidents which occur while men are off duty. This is a provision which is much appreciated by the men, and is essential in order to cover the whole situation. Judging from the experience of associations which have been organized in factories, about five per cent of accidents occur outside the plant.

Provision is also made for members to carry their insurance

for death benefit after leaving the employ of the company. This includes members who have been discharged. This provision is included in the benefit associations of the railroads and has worked out satisfactorily. In my investigation I found that the men demanded this, and unless it had been included the whole plan would have met with very serious objections from the start. The old benefit associations have learned through experience that only a comparatively few of the members, who leave the employ of the company, keep up their assessments and retain their memberships, therefore this feature does not present any large or serious problem to be dealt with.

The question of release of the company from liability, when benefits are paid by the association, is one which has aroused much discussion. With a few exceptions, the large benefit associations, thus far organized in the United States have included the release clause in their regulations and have defended it in many cases which have been appealed to the highest courts. The officers of the company, and our committee, gave this question serious consideration and decided to omit the release clause from the regulations. Thus by participating in the benefit plan the employee does not waive or surrender any of his legal rights. The fact has done much to convince the employees that the plan is fair and generous, and has helped to secure its adoption at once by the men on its merits. The custom has become almost universal among workingmen, including the poorest and humblest to carry insurance. The monthly premiums have become a part of every family budget.

Any employer of a large body of men is in a position to organize a department which will give safe and adequate protection, covering sickness and accidents, at a very low cost. Where an association is organized as a part of the business, the operating expense can be reduced to the minimum. The clerical force already employed can take care of much of the work without additional cost. It is perhaps a fair estimate to make that the actual expense incurred in the operation of a benefit association is about one dollar per member.

In a plant where an association is organized with adequate benefits, the problem of charity is practically eliminated, and the whole situation is relieved of those distressing cases of need which are continually arising. Bearing on this point it is interesting to note that the statistics of the charity organizations reveal the fact

that about seventy-five per cent of the cases of need which appeal for charity are directly traceable to sickness and accident.

I know of no way in which an employer, with the same expenditure of money, can so directly and effectually help his employees to help themselves, as by organizing an employees' benefit association on a broad generous basis.